

## Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 IO-10 FEA-01 AGR-05 CEA-01 CIAE-00

COME-00 DODE-00 EB-07 FRB-03 H-02 INR-07 INT-05 L-03

LAB-04 NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15

STR-04 TAR-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01

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R 032040Z JUN 75

FM AMEMBASSY GUATEMALA

TO SECSTATE WASHDC 6951

INFO AMEMBASSY SAN SALVADOR

AMEMBASSY TEGUCIGALPA

AMEMBASSY MANAGUA

AMEMBASSY SAN JOSE

AMEMBASSY PANAMA

AMEMBASSY MEXICO

AMEMBASSY CARACAS

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FROM ROCAP

E.O. 11652: N/A

TAGS: ECIN, PORG, GT, CR, HO, ES, NU

SUBJECT: X SESSION OF THE ECONOMIC COOPERATION COMMITTEE OF  
CENTRAL AMERICA (ECC)

REF: GUATEMALA 2782 (NOTAL)

1. SUBJECT MEETING WAS HELD UNDER THE AUSPICES OF THE UN  
ECONOMIC COMMISSION FOR LATIN AMERICA (ECLA) IN TEGUCIGALPA  
MAY 28-30. ITS PURPOSE WAS TO DEFINE AND SET IN MOTION A  
SHORT-TERM (TWO TO THREE YEARS) PROGRAM FOR CENTRAL AMERICAN  
ECONOMIC COOPERATION WHILE THE FIVE CA GOVERNMENTS NEGOTIATE  
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AND ESTABLISH A NEW ECONOMIC AND SOCIAL COMMUNITY TO REPLACE

THE PRESENT COMMON MARKET.

2. THE ECC IS MADE UP OF THE MINECONS OF THE 6 COUNTRIES OF THE CENTRAL AMERICAN ISTHMUS (INCLUDING PANAMA AND THE 5 CACM MEMBERS). IT WAS CREATED IN THE 1950'S AND SPEARHEADED THE CA INTEGRATION MOVEMENT UNTIL THE CACM WAS CREATED IN 1960. WHILE IT HAS NO DECISION-MAKING AUTHORITY, IT REPRESENTS THE COLLECTIVE VIEWS OF THE AREA'S MINECONS AND THEIR RECOMMENDATIONS ON POLICIES AND PROGRAMS TO FACILITATE COOPERATION BY THE SIX GOVERNMENTS FOR DEALING WITH PRIORITY ECONOMIC PROBLEMS.

3. THE MINECONS OF THE 5 CACM COUNTRIES HEADED UP LARGE DELEGATIONS TO THE HLC, AND REPRESENTATIVES OF CHAMBERS OF INDUSTRIES AND COMMERCE. PANAMA SENT A TWO-MAN DELEGATION HEADED BY DR. HERMAN RODRIGUEZ, ECONOMIC ADVISOR OF THE MINISTRY OF COMMERCE AND INDUSTRY. THE CA REGIONAL INSTITUTIONS (SIECA, CABEL, CAMC, ICAITI, INCAP, ETC), THE UNDP AND SPECIALIZED UN AGENCIES, IDB, IBRD, THE CENTRAL AMERICAN CHAMBERS OF INDUSTRY AND COMMERCE (FECAICA) AND ROCAP HAD OBSERVER STATUS.

4. THE TONE SET FROM THE INAUGURAL SESSION WAS OF URGENCY IN GETTING ON WITH CA INTEGRATION. IN STATEMENTS BY GOH CHIEF OF STATE MELGAR, GOG MINECON PALOMO, GOH MINECON SAN MARTIN AND ECLA DIRECTOR FOR MEXICO, CENTRAL AMERICA AND THE CARIBBEAN ROSENTHAL, EMPHASIS WAS PLACED ON (A) THE TRANSITORY ROLE OF ECC, (B) THE IMPORTANCE OF RESTRUCTURING THE CACM INTO AN ECONOMIC AND SOCIAL COMMUNITY, (C) THE NEED FOR FULL COMPATIBILITY AND COHERENCE BETWEEN ECC RECOMMENDATIONS AND THOSE BEING DEVELOPED BY THE HIGH LEVEL COMMITTEE (HLC) AND (D) THE NEED FOR PRACTICAL AND PRAGMATIC SOLUTION TO PRESSING CA PROBLEMS.

5. THE WORK OF THE ECC WAS GUIDED BY ECLA PREPARED DOCUMENTS WHICH INITIALLY PROVOKED SHARP CRITICISM BY FECAICA AS STATIST-ORIENTED AND ANTI-PRIVATE SECTOR. MOST OF FECAICA'S CONCERNS WERE OVERCOME DURING THE THREE DAYS OF PUBLIC AND PRIVATE SESSIONS, WITH ECLA DIRECTOR ROSENTHAL TAKING THE LEAD IN BUILDING BRIDGES TO THE PRIVATE SECTOR FOR ITS PARTICIPATION IN THE DEVELOPMENT AND IMPLEMENTATION OF PROGRAMS

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RECOMMENDED BY THE ECC.

6. THE FIRST DAY SESSIONS REVOLVED AROUND A SOMBER ECLA DIAGNOSIS OF THE ECONOMIC SITUATION OF CA. RELATING THE DETERIORATION OF CA'S EXCHANGE RESERVES TO THE CURRENT WORLD-WIDE STAGFLATION AND THE QUADRUPLING OF OIL PRICES, ECLA DIRECTOR ROSENTHAL DEMONSTRATED NEAR STAGNATION IN CA GROWTH FOR 1973-4 AND A CURRENT ACCOUNTS DEFICIT IN BP'S OF \$800

MILLION IN 1974. SIECA , CABEI AND CAMC FULLY SUPPORTED THE  
ECLA ANALYSIS AND PREDICTED 1975-6 WILL SEE A SUBSTANTIAL  
DECLINE IN THE REGION'S FOREIGN EXCHANGE RESERVES UNLESS JOINT  
ACTION IS TAKEN BY THE CA COUNTRIES. CAMC DIRECTOR GONZALEZ  
DEL VALLE POINTED OUT THAT, WITHOUT THE SPECIAL  
ARRANGEMENT WITH VENEZUELA, 2/3RDS OF THE AREA'S FOREIGN  
EXCHANGE RESERVES WOULD BE WIPED OUT IN 1975 AND THAT  
THE VENEZUELAN ARRANGEMENT IS ONLY A TEMPORARY RESPITE WHICH  
GIVE CA A LITTLE TIME TO PUT ITS HOUSE IN RODER. THIS LED  
TO A FRANK AND WIDE-RANGING DISCUSSION OF THE NEED FOR  
EFFECTIVE SHORT-TERM ACTION BY THE FIVE GOVERNMENTS AND TO  
AGREEMENT ON THE NEED TO ACCELERATE THE RESTRUCTURING PROCESS  
OF THE COMMON MARKET TO OVERCOME DEFICIENCIES IN THE CA  
INTEGRATION PROCESS.

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R 032040Z JUN 75

FM AMEMBASSY GUATEMALA

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7. THE ECC AGREED ON 15 RECOMMENDATIONS ON FOREIGN TRADE, EXTERNAL FINANCING, MONETARY POLICY, INDUSTRIAL AND AGRICULTURAL DEVELOPMENT, ENERGY, EARLY WARNING SYSTEMS FOR NATURAL DISASTERS, TRANSPORTATION, TOURISM, RESOLVING CONFLICTS OVER FREE TRADE WITHIN THE CACM AND COORDINATION OF EXTERNAL ASSISTANCE. THE PRINCIPAL DECISIONS INVOLVED: (A) STRENGTHENING OF MACHINERY FOR INTER-GOVERNMENTAL CONSULTATION AND POLICY COORDINATION ON EXTERNAL TRADE; (B) JOINT MARKETING OF SURPLUSES IN TRADITIONAL EXPORTS; (C) BROADENING THE ROLE OF CAMC IN COORDINATING NATIONAL MONETARY POLICIES AND CONSOLIDATING REGIONAL EXTERNAL DEBTS; (D) MORE ACTIVE SERVICE ROLE FOR CABEI IN DIVERSIFYING EXPORTS AND IN COORDINATING JOINT PURCHASES OF ESSENTIAL IMPORTS TO ACHIEVE ECONOMIES IN SCALE; (E) PRIORITY ACTION OF BASIS GRAINS PRODUCTION AND LIMITED OFFICIAL USE

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INCREASING FOOD PRODUCTION; (F) A COMPREHENSIVE REGIONAL ENERGY DEVELOPMENT PROGRAM UNDER AN INTER-GOVERNMENTAL COMMITTEE, WITH SIECA AS ITS SECRETARIAT; (G) PROGRAM FOR ACCELERATING REGIONAL TOURISM DEVELOPMENT THROUGH SITCA; (H) SYSTEMATIC CONSULTATION WITH THE PRIVATE SECTOR IN INDUSTRIAL AND AGRICULTURAL POLICY ANALYSIS AND FORMULATION; AND (I) LEVYING ON THE VICE-MINISTERS OF ECONOMY A REQUIREMENT TO DEFINE AND SET IN MOTION APPROPRIATE MACHINERY FOR CONCILIATING CONFLICTS AFFECTING FREE TRADE UNDER THE CURRENT TREATY GOVERNING THE CACM. ECLA WAS ENTRUSTED WITH RESPONSIBILITY FOR FOLLOWING UP ON THE RECOMMENDATIONS, HELPING THE FIVE GOVERNMENTS PUT THIS SHORT-TERM PROGRAM INTO EFFECT AND FACILITATING COORDINATION AMONG REGIONAL INSTITUTIONS, NATIONAL AUTHORITIES AND INTERNATIONAL ASSISTANCE ORGANIZATIONS IN CARRYING OUT THE PROGRAM.

8. THE ECC WILL MEET PERIODICALLY UNTIL A NEW TREATY CREATING THE ECONOMIC AND SOCIAL COMMUNITY OF CA COMES INTO EFFECT. ECLA IS EMPOWERED TO CALL NEXT MEETING LATER THIS YEAR.

9. ROCAP IS NOW STUDYING THE ECLA DOCUMENTS AND ECC RESOLUTIONS. IT WILL FOLLOW UP ON THIS MESSAGE WITH SPECIFIC ANALYSES ON KEY ISSUES OF INTEREST TO USG AND OUR PROGRAMS IN CA.

COMMENTS:

10. MY IMPRESSION IS THAT THE MEETING WAS CONSTRUCTIVE AND ITS RESULTS, POSITIVE. IT FOCUSED THE MINECONS AND INFLUENTIAL CA PRIVATE SECTOR LEADERS ON THE CRITICAL ECONOMIC SITUATION FACING CA AND THE NEED TO RESOLVE QUICKLY THE SIX-YEAR INSTITUTIONAL CRISIS OF THE CACM. THE SOMBER TONE SET BY ECLA AND THE CA REGIONAL INSTITUTIONS CLEARLY SHOOK UP THE DELEGATES. IT FORCED THEM TO FOCUS ON THE TIES THAT BIND THEM IN ADVERSITY AND ON THE LIMITATION EACH FACES IN TRYING

TO ACT SEPARATELY. IN THE PRIVATE CONVERSATIONS WHICH TOOK PLACE OUTSIDE OF THE MEETING HALL, MINECONS AND CA REGIONAL OFFICIALS CAME TO GRIPS WITH PROBLEMS WHICH THEY WERE PREVIOUSLY FINESSEING. AND, MOST SIGNIFICANTLY, THEY DREW THE CA PRIVATE SECTOR IN THEIR DISCUSSIONS AND OPENED A LONG NEEDED DIALOGUE.

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11. THE FORCE WHICH HELD THE MEETING TOGETHER AND GAVE IT MEANING WAS ECLA DIRECTOR ROSENTHAL. HE SPEARHEADED THE WORK. HE RECONCILED POSITIONS. HE INTRODUCED CHANGES INTO ECLA PROPOSALS TO BRIDGE POTENTIAL CONFLICTS AMONG MINECONS AND WITH THE PRIVATE SECTOR. THE ECLA DELEGATION, UNDER HIS DIRECTION, WAS PRACTICAL AND PRAGMATIC. HE KEPT THE MEETING OPEN, AND ENCOURAGED DEBATE. HE KEPT THE DISCUSSION AT A HIGH LEVEL; AND, THERE WERE NO ANTI-US OR ANTI-IFI COMMENTS OR OVERTONES. ROSENTHAL RAN AN ESSENTIALLY IN-HOUSE TECHNICAL REVIEW BY THE CENTRAL AMERICANS OF THEIR OWN PROBLEMS. THE CENTRAL ROLE PLAYED BY ROSENTHAL WAS RECOGNIZED EXPLICITLY BY THE MINECONS WHEN THEY ENTRUSTED TO ECLA, NOT A REGIONAL INSTITUTION, THE FOLLOW-UP RESPONSIBILITIES. AND, IT IS ON HIS SHOULDERS THAT THE POTENTIAL FOR SUCCESS OF THIS INTERIM PLAN RESTS.

12. ONE OF THE UNDERTONES SOUNDED THROUGHOUT THE MEETING WAS SKEPTICISM ABOUT THE SIECA DRAFT OF THE NEW TRATADO MARCO. MOST OF THE DELEGATES WERE WELL ACQUAINTED WITH IT; AND, MOST SHARE THE COMMON CONVICTION THAT THE SIECA DRAFT, IN ITS PRESENT FORM, IS TECHNICALLY SOUND AND POLITICALLY UNREALISTIC. AS REPORTED IN GUATEMALA 2782, THE HLC BEGINS ON JUNE 4 AN ACCELERATED PROCESS TO PREPARE A NEW DRAFT WHICH OFFERS GREATER PROMISE OF POLITICAL ACCEPTABILITY BY THE 5 CA GOVERNMENTS. PRIVATE SECTOR AND CA GOVERNMENT OFFICIALS IN THE CORRIDORS FRANKLY TOLD HLC MEMBERS AND SIECA OFFICIALS OF THEIR RESERVATIONS AND PROBLEMS. THE MINECONS MET AT LEAST ONCE IN A PRIVATE SESSION TO COORDINATE THEIR INSTRUCTIONS TO THEIR RESPECTIVE HLC MEMBER FOR THE WORK BEGINNING ON JUNE 4.

13. THE HONDURAN CHIEF OF STATE MELGAR MET PRIVATELY WITH SALVADORAN MINECON AND REPORTEDLY REITERATED HIS DESIRE FOR EARLY SOLUTION BETWEEN TWO COUNTRIES AS WELL AS HIS INTEREST IN HONDURAN FULL RE-INCORPORATION INTO INTEGRATION PROGRAM. SALVADORAN SUSPICIONS OF HONDURAN INTENTIONS WERE REFLECTED IN NUMEROUS CONVERSATION WITH MEMBERS OF THE SALVADORAN DELEGATION; HOWEVER, GOES MINECON WAS MUCH MORE OPTIMISTIC ABOUT THE PROSPECTS FOR IMPROVED GOES-GOH RELATIONS AFTER HIS CONVERSATION WITH MELGAR.

14. THE PANAMANIAN DELEGATION CLEARLY KEPT TO THE SIDELINES.

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OCCASIONAL COMMENTS OF FRATERNAL INTEREST WERE THE LIMIT OF ITS PARTICIPATION. IT SPOKE ONLY WHEN SPECIFICALLY ASKED FOR OPINIONS. CLEARLY THE OTHER FIVE CA GOVERNMENTS WERE MORE INTERESTED IN GOP PARTICIPATION, THEN WAS THE GOP. GOP MINECON HAD BEEN EXPECTED BUT CANCELLED AT LAST MINUTE. WHETHER HIS ABSENCE OR LIMITED GOP INTEREST IN CA INTEGRATION ACCOUNTED FOR THIS MARGINAL PARTICIPATION WAS A QUESTIONS RAISED BY MORE THAN ONE CA MINECON IN CORRIDOR CONVERSATIONS. TRAGEN.  
MELOY

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## Message Attributes

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